

**IOWA RACING AND GAMING COMMISSION
MINUTES
MARCH 8, 2012**

The Iowa Racing & Gaming Commission (IRGC) met on Thursday, March 8, 2012 at Stoney Creek Inn and Conference Center, Johnston, Iowa. Commission members present were Toni Urban, Chair; Jeff Lamberti, Vice Chair; and members Carl Heinrich, Andrea Rivera and Greg Seyfer.

Chair Urban called the meeting to order at 8:30 AM. She thanked Wes Ehrecke, President of the Iowa Gaming Association (IGA), and the IGA for hosting the reception in honor of Jack Ketterer, Administrator of IRGC, the previous evening. Chair Urban requested a motion to approve the agenda. Commissioner Seyfer so moved. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Urban moved to the approval of the minutes from the January 12, 2012 Commission meeting. Commissioner Rivera moved to approve the minutes from the January 12th Commission meeting as submitted. Commissioner Heinrich seconded the motion, which carried unanimously.

Chair Urban moved to announcements. Mr. Ketterer provided the following information about future Commission meetings:

- April 19, 2012 – Ameristar, Council Bluffs, IA (Submissions due by April 5, 2012)
- May – No Meeting
- June 7, 2011 – Stoney Creek Inn, Johnston, IA (Submissions due by May 23, 2012)

At this time, Chair Urban called on Mr. Ehrecke to discuss the 2010-2011 County Endowment Fund program, which is subsidized by gambling funds. Mr. Ehrecke explained that money is distributed to foundations in counties without a casino. During the most recent distribution process, each county foundation received \$130,000. They are required to put 25% of the funds received into a permanent endowment and the remaining 75% is distributed to other non-profit organizations within the county.

At this time, Chair Urban asked Mr. Ketterer to approach the podium for a presentation. A copy of Chair Urban's remarks are attached and incorporated in their entirety by this reference. She presented Mr. Ketterer with a plaque, which read: JACK KETTERER - IN RECOGNITION OF YOUR DEDICATION AND SERVICE AS ADMINISTRATOR TO THE IOWA RACING AND GAMING COMMISSION FROM DECEMBER 2, 1983 – DECEMBER 31, 1988 AND MAY 3, 1993 – MARCH 29, 2012.

Mr. Ketterer thanked Chair Urban for her comments. He thanked everyone for the recognition, and recognized Karyl Jones, Director of Operations, and Julie Herrick, his assistant, who have been with him for a number of years. Mr. Ketterer also recognized Linda Vanderloo and Terry Hirsch who also worked for him for a number of years, and have retired. He indicated that all have had a part in the success of the Commission.

Mr. Ketterer noted that even though he was absent for four years, he has served under every Commissioner that has been appointed to the Commission. He indicated that there was never a time when he witnessed a Commissioner making a decision that was to promote their own self interest or further their personal gain, but only for what they felt would better the gaming industry in the State of Iowa and the people of Iowa, which not only speaks volumes about Iowa, but the individuals appointed by the Governor. Mr. Ketterer noted that the format for the licenses in Iowa set forth by the Legislature is unique to Iowa – a qualified sponsoring organization and operator. He noted there is nothing else like it across the country; and the format allows the gaming tax, which primarily goes to the state, also allows the respective cities and counties to receive revenue. Mr. Ketterer stated that often times there are needs within the community recognized by the citizens that the government really can't support; however, the non-profit organizations or the qualified sponsoring organization can do so. He stated that the county endowment foundations have also done an excellent job in that area. Mr. Ketterer indicated that the upcoming review of the economic impact statements will also show the impact the licensees are having on various communities all over Iowa.

Mr. Ketterer stated that the Commission responds to counties that have a referendum to approve gaming for their county. Upon a successful referendum, a qualified sponsoring organization and an operator team up to bring an application to the Commission, which may issue a license that facilitates the operation going forward. Mr. Ketterer likened the partnership between the qualified sponsoring organization and operator to a marriage, which experiences disagreements over time; however, he indicated that it is important for both parties to understand the privilege they have in the license and their stewardship in carrying that out in the jobs they provide and the distributions within their respective communities. Mr. Ketterer stated that he had enjoyed working with everyone; that it is something that he will not forget and looks forward to seeing all of them in the future.

Chair Urban called on Horseshoe Casino/Bluffs Run Greyhound Park (HS/BRGP) regarding their request to resolve the payment of unpaid purse amounts for 2011. Lorraine May and Jim Quilty, representing HS/BRGP and the Iowa Greyhound Association respectively, were present to address the issue. Ms. May indicated that there is again a difference between the amount paid out in purses and the amount available for purses as the purse amounts are set forth in a dollar amount, and the purses are paid out on a point system. Ms. May advised that HS/BRGP has calculated the amount of underpayment on the current point percentages of 67.1% for regular points and 32.9% for Iowa-Bred points. She indicated that the dog owners and kennels are owed \$381,033.59; however, due to rounding, HS/BRGP will pay out \$381,409.01. Ms. May requested the

Commission's approval of the proposed payments as full satisfaction of the purse payments due for calendar year 2011.

Mr. Quilty advised that the Iowa Greyhound Association agreed with the payout calculations as calculated by HS/BRGP. He noted that there were concerns regarding export dollars that have not been resolved.

Chair Urban called for a motion to approve the payment of the unpaid purse amounts as set forth by HS/BRGP. Commissioner Seyfer so moved. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-18)

Ms. May advised that the purse structure is included in the 45-day plan, which is submitted and approved in November, which would be the appropriate time to address the concerns regarding export dollars.

Chair Urban called on Mystique Casino/Dubuque Greyhound Park (MC/DGP) regarding the approval of the 45-day plan for the upcoming live meet. Roger Hoeger and Brian Carpenter, Assistant General Manager and Director of Racing respectively, were present to address any issues. Mr. Hoeger advised that the 45-day plan included the Second Amendment to an agreement between the Dubuque Racing Association (DRA) and the Iowa Greyhound Association with regard to the export of DGP's signal during the live race meet.

Hearing no comments or questions regarding the 45-day plan, Chair Urban requested a motion to approve the plan with the staff recommendations, which are as follows:

- The completion of all appropriate DCI backgrounds, continued approval of simulcast schedule requests to insure compliance with all regulatory requirements and performance of a required tote test prior to live racing.

Additional requirement:

- Work with commission staff on an ongoing basis to review procedures related to housing, management, care, infectious disease control and welfare of racing greyhounds; including periodic review with staff members and IGA representatives on track maintenance and safety issues.

Commissioner Lamberti so moved. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-19)

Chair Urban moved to the additional contracts submitted by Mystique Casino. Mr. Hoeger presented the following contracts for Commission approval:

- American Trust and Savings Bank – Refinancing of Existing Loan
- CR Signs – Digital Billboard

- Greyhound Equipment Company – Purchase Lure Equipment for Greyhound Racing
- The Printer, Inc. – Direct Mail & Printing Services

He advised that Mystique had refinanced their existing loan with American Trust, have arranged for a digital billboard, and direct mail and printing services. He noted that they have previously leased the lure equipment, but that is no longer an option.

Hearing no comments or questions regarding the contracts, Chair Urban requested a motion. Commissioner Heinrich moved to approve the contracts as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-20)

Chair Urban called on Prairie Meadows Racetrack & Casino (PMR&C). Gary Palmer and Brian Wessels, General Manager and Chief Financial Officer respectively, were present to address any questions.

With regard to the hotel update, Mr. Palmer advised that the hotel opened on March 1st and that everything is going very well. He thanked the Commission for their support during the construction.

Chair Urban asked about the occupancy rate. Mr. Palmer stated that it is around 98% on the weekends and varies during the week. He indicated they did a soft opening by having some of the players come in, and held a private Valentine's party for invited guests and staff to help determine what had been forgotten in the rooms. He said they received lots of good feedback.

Chair Urban noted that the hotel did open earlier than expected. Mr. Palmer stated that they opened about one month earlier than anticipated.

Chair Urban stated that she had toured the hotel the previous evening and found it to be impressive. She indicated that it is downplayed on the outside, but the interior is beautifully done. She noted former Commissioner Kate Cutler, who kept after Mr. Palmer about a hotel for ten years, was in attendance last night and got to see the fruition of her efforts.

Chair Urban called on Mr. Wessels about the recent articles in the newspaper regarding the cost of the hotel and how PMR&C financed it. She noted that she had asked the same question approximately a year ago and was informed that it was going to be paid from cash flow, and that PMR&C eventually sought approval for some financing. Chair Urban requested an explanation for the record.

Mr. Wessels stated that the total cost of the hotel was \$32.9 million, with a substantial amount of that figure being paid from cash flow. He indicated they will end up borrowing \$5 million. Chair Urban asked if that amount had already been borrowed. Mr.

Wessels indicated approximately \$1.7 million has been borrowed to date, and they will be borrowing additional funds in the next few days for a monthly payment.

Chair Urban asked if there was any forecast as to an increase in revenues at the casino as a result of the hotel. Mr. Wessels indicated that they anticipate an increase of 5-6% in gaming revenues over a period of several years.

Commissioner Lamberti stated that he also had an opportunity to tour the facility before it opened and that he was very impressed. He encouraged everyone to go see it, and indicated that it was a great addition to the facility.

Chair Urban moved to the allocation of the purses from gaming revenue for 2012. She noted that the distribution is based on the statutory allocation. She stated that money is also being paid out to the standardbreds, which will not be running at PMR&C.

Mr. Ketterer asked if the \$900,000 one-time addition to the purses was an underpayment from the 2011 meet. Mr. Palmer stated it is the result of an agreement made with the Legislature and the three horse breeds last year. The Legislature asked PMR&C to give an additional \$900,000 for purses for one year, and PMR&C agreed. In return, the standardbreds will no longer race at PMR&C.

Mr. Ketterer noted that PMR&C is going to have some additional gaming floor space, and have proposed adding some new slots and table games, and that they have received approval from Polk County to do so. He asked if the additional slots and table games are figured into their forecast for increased gaming revenues.

Mr. Palmer stated that when this project was started, it was a three-phase project: 1) linking the current facility to the new hotel; 2) the hotel, and 3) additional casino space created by the addition. He stated that the pro forma presented to Polk County last year in negotiating the eight-year contract did include the additional casino space. Mr. Palmer advised that PMR&C will be bringing a request for additional slot machines before the Commission at the April meeting; they currently have approximately 2,000 machines. He indicated the gaming expansion would cost approximately \$10.3 million for an additional 200-300 machines. He stated the new gaming area would be a perfect link to the new hotel, and was part of the original plan. Mr. Palmer stated that the revenue from the additional games was included in the projections for future years.

Mr. Ketterer noted there was some objection voiced on the part of the lessor, and asked the reasons behind the objection. Mr. Palmer stated the objection came from one supervisor who wanted more money in addition to the agreement consummated with Polk County last year. He noted that PMR&C had a good year last year; the weather was great and they didn't have to borrow as much money for the hotel, which helped revenues. Mr. Palmer noted that PMR&C was able to work out the issues with the majority of the Polk County Supervisors and will be moving forward with the project.

Mr. Ketterer noted there were concerns that the casinos might lose the smoking exemption, which would have had some impact on revenues; as well as discussions about increasing the tax rate the casinos paid to the state. He noted these two items created a certain amount of uncertainty at the time of negotiations between the parties.

Mr. Palmer stated that the agreement is actually a two-part contract which set forth what would happen on the down side and up side. He stated that under the current agreement PMR&C pays the county \$1.3 million per month in rent, or a total of \$15.6 million per year. The county will also receive \$10.4 million in net receipts this year and next, and in 2014, they will receive 5% of the adjusted gross revenues. Mr. Palmer stated that if the county were to receive the 5% this year, it would be less than the \$10.4 million. He stated that if the casinos had lost their smoking exemption, or if a tax increase had been implemented, PMR&C would have had to reopen discussions with the county as to the lease agreement as they would not have had sufficient revenues to pay what they are currently paying. Mr. Palmer stated that they tried to negotiate for the upside, as well as the downside. They are happy to be on the upside of things.

Commissioner Lamberti stated that he was troubled about the situation with Polk County, and some of the comments. He noted that gaming exists in Iowa to benefit the people of Iowa in large part through the non-profits and the tax revenue. Commissioner Lamberti stated that he is troubled by the fact that a landlord is making decisions about the expansion of a facility in a county, which in his opinion, is still underserved. He noted that while the Supervisors have constituents that they serve, the Commission serves the entire state. Commissioner Lamberti stated that he did not believe the Legislature intended that landlords have the ability to control the expansion of a facility.

Commissioner Rivera, concurring with the comments made by Mr. Ketterer and Commissioner Lamberti, stated the situation seems to be a bit one-sided where PMR&C and Polk County are concerned. She indicated the Commission only sees these issues in Polk County and no where else. Commissioner Rivera stated that she wished both sides would cease the constant bickering over issues and focus on the bigger picture of serving Iowa, not just Polk County.

Mr. Palmer stated that a majority of the Supervisors do work in that vein. He thanked the Commission for its comments.

Hearing no further comments or questions, Chair Urban returned to the approval of the allocation of purses from gaming revenue from 2012, and requested a motion. Commissioner Seyfer moved to approve the distribution of purses for 2012 as submitted. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-21)

Chair Urban moved to the contracts submitted by PMR&C. Mr. Palmer submitted the following contracts for Commission approval:

- AJ Allen Mechanical Contractors – HVAC Contractor
- Control Installation of Iowa – Surveillance Equipment
- Des Moines Steel Fence – Chain Link Fencing
- Excel Mechanical Company – HVAC Contractor
- Heartland Poker Tour – Organized Poker Tournaments
- International Sound Corp. – Television Graphics System
- KCCI Television, Inc. – Television Advertising
- ODS Technologies d/b/a TVG Network – Horse Race Advance Deposit Account Wagering Services
- Seneca Tank, Inc. – Water Tank Equipment
- The Weitz Company – General Contractor – Various Projects
- True Center Gate Leasing – Horse Race Starting Gate
- Waldinger Corporation – Mechanical and Electrical Contractor
- Wolin and Associates - HVAC Contractor
- Wood Roofing – Roofing Contractor

Chair Urban noted that a number of the contracts were for mechanical or HVAC, which had previously been approved. Mr. Palmer stated that the construction of the new storage facility and facility expansion will require that the work be rebid; the previous submissions are not high enough to cover the additional work and/or equipment. Chair Urban asked if the final contract would be brought back before the Commission. Mr. Palmer answered in the affirmative.

Hearing no further comments or questions concerning the contracts, Chair Urban requested a motion. Commissioner Rivera moved to approve the contracts as submitted by PMR&C. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-22)

Chair Urban called on HGI-Lakeside. Bob Thursby, General Manager, submitted a Settlement Agreement and Mutual Release of All Claims between the City of Osceola, Iowa; the Osceola Water Works Board of Trustees and HGI-Lakeside for Commission approval. He thanked Chair Urban and Commissioner Lamberti for their assistance in getting this issue resolved, and requested approval of the contract.

Chair Urban stated that the settlement agreement contained two changes to the original agreements – the amount of the lease and the number of employees the facility is required to maintain. Mr. Thursby noted that the amount of land that is leased by the facility from the Water Board has also been adjusted.

Hearing no comments or questions concerning the Settlement Agreement, Chair Urban requested a motion. Commissioner Lamberti moved to approve the Settlement Agreement as submitted. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-23)

Chair Urban asked Mr. Thursby for a hotel update. He advised that the 90-room expansion is moving along very quickly, and expect to open it on May 18th, two weeks ahead of schedule. The amphitheater will be completed around September 1st. The existing pool is going to be removed and a party deck added; there will be a new indoor/outdoor pool, similar to Riverside's. Mr. Thursby indicated that by the end of third quarter this year, the quick-serve restaurant will be finished, which will allow them to expand their food and beverage operations, and add room service. He indicated that it is going to be a unique service to Iowa.

Chair Urban called on Mark Vander Linden, Program Manager for the Iowa Gambling Treatment and Prevention Program, to talk about National Problem Gambling Awareness Week. He advised that the week is an opportunity to raise the awareness of the consequences of gambling, as well as the program's success in mitigating problems associated with gambling. A copy of Mr. Vander Linden's comments are attached and hereby incorporated into the minutes.

Chair Urban called on Mr. Ketterer regarding the year-to-date economic impact reports. Mr. Ketterer advised that the reports are something that the Commission and licensees corroborated on several years ago. He noted that the figures are not audited, but do reflect a remarkable impact in the various communities and counties.

- Wages, Salaries, and Benefits - \$281 million
- Gaming Taxes & Other Taxes – In excess of \$390 million; \$331 million of that figures is for Admission Taxes

Mr. Ketterer stated that not-for-profit contributions in the state last year were almost \$42 million; donations directly by the operators, in addition to funds paid to the qualified sponsoring organizations via the operating agreement, totaled \$8.8 million, or approximately \$51 million that was distributed to different causes or needs in the various communities. He noted that the operators/licensees made contributions to municipalities in the amount of \$33 million, \$26 million alone to Polk County by PMR&C. The total for all charitable donations for all purposes statewide was \$84 million.

Mr. Ketterer stated that one of the areas the Commission tries to promote in accordance with legislation is Buy Iowa. The figures are broken down into Iowa vendors, and then non-Iowa vendors are broken down into gaming equipment, specialized/necessary source and others. Gaming equipment, which is not available in Iowa, accounts for approximately 15% of all equipment, supplies and services purchased, or a total of \$55 million. There is a specialized/necessary source for supplies and services. Some of the facilities, due to their geographical location on the borders, need to purchase their media advertising, charter bus services, beverage distributions from companies outside the state; these purchases amount to 6.6%. Mr. Ketterer stated that approximately 10% of the money that could be spent with Iowa vendors is spent with out-of-state vendors. He indicated this occurs as the Commission gives Iowa vendors the opportunity to bid and participate for the equipment, supplies and services; however, sometimes there is another

source that underbids them. Mr. Ketterer stated that over 67% of the money is spent in Iowa on supplies and services; and when gaming equipment and specialized sources that need to be procured out-of-state are excluded, the percentage increases to 87% for Iowa purchases. He stated that the 87% is an average and all of the properties are within 9-10% of that figure, except for Marquette, due to their location in extreme northeast corner of the state and being a smaller community. Mr. Ketterer stated the entire economic impact from the four areas of payroll, equipment, supplies and services, taxes and fees, and charitable donations comes to just shy of \$1 billion. He again noted that while these figures are not audited, they do paint a very accurate picture of the impact the licensees are having on the State of Iowa and their respective communities.

Hearing no comments or questions concerning the economic impact reports, Chair Urban moved to the excursion gambling boat and gambling structure license renewals and called on Iowa West Racing Association (IWRA)/Ameristar Casino Council Bluffs, Inc. d/b/a Ameristar Casino. Jane Bell, Director of Government Affairs for Ameristar, made the following remarks on behalf of Jerry Mathiasen, Interim Executive Director of IWRA, who was unable to attend due to a prior commitment. Ms. Bell advised that today was the first day for Pete Tulipana, the new Executive Director/CEO, and that he would be introduced to the Commission soon. On behalf of IWRA as the non-profit license sponsor for Ameristar and Harrah's, Ms. Bell requested the renewal of the licenses. She stated that IWRA's relationship with Ameristar and Harrah's is excellent and both are valuable assets to the community. Ms. Bell noted that 80% of the voters in the 2010 referendum voted in favor of continuing gambling in Pottawattamie County. She pointed out that the income IWRA receives from Ameristar and Harrah's was a key factor in IWRA being able to weather the economic storm and maintain their granting level, which surpassed the \$280 million milestone with more than \$13 million distributed in 2011 alone. Ms. Bell noted that IWRA had made educational attainment in the local schools a top goal. She reported that the graduation rate had increased by 10% since IWRA's special partnership with the Council Bluffs school district commenced. Ms. Bell stated that IWRA provided over \$500,000 to the local Red Cross for flood recovery efforts for families in western Iowa and eastern Nebraska. On behalf of the IWRA, Ms. Bell again requested the Commission's approval of the license renewals for Ameristar and Harrah's.

Monty Terhune, General Manager, stated that 2011 was a unique year as they were directly impacted by the flooding that took place during the summer and fall. Ameristar was required to expend a significant amount of effort, time and resources in relation to the flooding; they have spent approximately \$2.1 million to date and will expend several more million in an effort to mitigate the damage done to the levee. Mr. Terhune stated that Ameristar has forged stronger bonds with the city and levee partners through the flood issues. He reported that while the percentage of Ameristar's purchases from Iowa vendors increased from 71% in 2010 to 78.5% he is not yet satisfied. He stated that the \$2.1 million for flood expenses is part of the reason. Mr. Terhune stated that they will continue to work on increasing the amount of money spent with Iowa vendors.

Chair Urban called for any comments or questions concerning the license renewal of IWRA/Ameristar Casino. Hearing none, she requested a motion. Commissioner Rivera moved to approve the license renewal application of IWRA/Ameristar Casino Council Bluffs, Inc. d/b/a Ameristar Casino as submitted. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-24)

Chair Urban called on IWRA/Harveys Iowa Management Co., Inc. d/b/a Harrah's Council Bluffs Casino Hotel. Bo Guidry, General Manager, requested the Commission's approval of the license renewal application.

Mr. Ketterer asked if there has been any thought given to moving to a land-based facility. He noted that the numbers have been declining at the current property partially due to the success at Horseshoe and the fact that Ameristar has a larger and nicer boat. He stated that Harrah's has done a good job with the amenities offered at the facility.

Mr. Guidry advised that there have been some thoughts in that area, noting that with the success of Horseshoe they sometimes intentionally move customers over to the Horseshoe property, which is a partial explanation for a decline in the numbers. He stated that the management team has looked at options for going land-based, but they are cost prohibitive and don't feel it is in the best interest of the company to make that move at this time. Mr. Guidry stated that Harrah's was not as impacted by the flood as Ameristar. He indicated that Harrah's would keep the Commission informed in the event a decision is made to move to a land-based facility.

Mr. Ketterer stated that in 2008 when the Commission approved them going to a private equity company, the Commission asked about continued capital investment at the rate of return. The Commission was assured that there would be.

Chair Urban called for any further comments or questions concerning the license renewal. Hearing none, she requested a motion. Commissioner Seyfer moved to approve the license renewal application of IWRA/Harveys Iowa Management Co., Inc., d/b/a Harrah's Council Bluffs Casino Hotel as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-25)

Chair Urban called on Washington County Riverboat Foundation, Inc./Riverside Casino & Golf Resort, LLC d/b/a Riverside Casino & Golf Resort (WCRF/RCGR). Tim Putney, President of WCRF, requested approval of the license renewal for WCRF/RCGR. He stated that WCRF is very happy with the relationship they have RCGR. In the past year, WCRF awarded 102 grants in the amount of \$2.3 million, and they are on track to distribute another \$3 million this year from the grant pool. Mr. Putney indicated that approximately \$900,000 would go to municipalities in Washington County. He noted that the Riverside City Council just approved a \$4.2 million budget. He advised that seven years ago the city budget was just over \$900,000. Mr. Putney stated that the impact of the casino and the Kehl family has been tremendous; the Kehl family and the casino have kept every vow made to the county.

Dan Kehl, CEO of RCGR, concurred with Mr. Putney's comments that the two organizations have a great relationship. He stated that the Kehl family appreciates the opportunity the Commission afforded them in Washington County. He requested renewal of the license for WCRF/RCGR.

Chair Urban called for any comments or questions. Hearing none, she requested a motion. Commissioner Rivera moved to approve the license renewal application of WCRF/Riverside Casino & Golf Resort, LLC d/b/a RCGR, including the contracts included therein. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-26)

Chair Urban called on Black Hawk County Gaming Association (BHCGA)/IOC Black Hawk County, Inc. d/b/a Isle Casino & Hotel Waterloo. Tim Hurley, Chairman of BHCGA, stated that the Board is focused on and is continually working to perfect the process of awarding grants. He advised that over the last 12 months, the BHCGA has awarded 45 grants totaling just over \$4.25 million with the majority going for property tax relief projects, and 1/6th going to charitable organizations and educational grants. Mr. Hurley noted that when the grant process commenced in 2008 approximately 250 grants totaling almost \$22 million were distributed. He advised that the previous figures did not include the 25% of net revenues that goes to the Waterloo Development Corporation. Those funds are specifically focused on downtown improvements in Waterloo. Mr. Hurley stated that BHCGA also distributes funds in the counties of Butler, Buchanan, Grundy, Bremer, and Tama.

Mr. Hurley advised that the private/public partnership, which includes BHCGA, is working very well and has accomplished some wonderful things in the Waterloo area. He noted that the Youth Pavilion, which has been in operation just over a year, recently welcomed their 100,000th guest; the Downtown Expo Center is open and is being utilized; and the Public Market is open and getting stronger. The Cedar Valley Sports Plex will break ground in April. Mr. Hurley advised that this is a \$25 million project that will be built in phases; \$18 million in private sector donations has already been raised. The BHCGA has committed \$5 million over eight years to the project. He noted that John Deere just announced a \$70 million investment in their Waterloo facility, bringing their commitment to the city to approximately a half billion. Mr. Hurley stated that the attitude in Waterloo has changed. He expressed his hope that the Commission would return to Waterloo to hold another Commission meeting and have the time to view some of the changes he just mentioned. He requested that the license renewal application be granted.

Chair Urban called for any comments or questions concerning the license renewal application. Hearing none, she requested a motion. Commissioner Heinrich moved to approve the license renewal application of BHCGA/IOC Black Hawk County, Inc., d/b/a Isle Casino & Hotel Waterloo. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 12-27)

Bari Richter, General Manager, presented a contract with Ryan Companies as the general contractor for the Lone Wolf project. She advised they are removing the Tradewinds dining area, which includes Pizza Hut, KFC, and Any Wich Way, and constructing a Lone Wolf sports bar and grill inside the entrance to the facility. The intent is to increase the enthusiasm of the facility. Ms. Richter stated the goal is to have the new sports bar and grill open by July 1st.

Chair Urban called for questions concerning the project. She inquired about the cost of the project. Ms. Richter advised the contract is being submitted for \$500,000, but acknowledged that she may need to request additional funding in April as they are continuing to finalize the project. Chair Urban asked if the project would be cash-flowed. Ms. Richter answered in the affirmative.

Chair Urban requested a motion regarding the contract. Commissioner Seyfer moved to approve the contract as submitted by IOC Waterloo. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-28)

Chair Urban called on Worth County Development Authority/Diamond Jo Worth, LLC d/b/a Diamond Jo Worth (WCDA/DJW). Kim Pang, General Manager, and Deb Hanson, Chief Financial Officer for WCDA, were available to answer any questions. Mr. Pang requested approval of the license renewal application. He advised that in 2011 DJW had a payroll of \$11 million; paid \$21.5 million in gaming taxes; purchases of Iowa goods and services totaled approximately \$47.2 million or about 95% of total purchases. Mr. Pang stated that charitable contributions to WCDA were approximately \$5 million. He turned the floor over to Ms. Hanson to discuss some of WCDA's accomplishments.

Ms. Hanson advised that the Worth County Supervisors have purchased the assets of Xenia, which will allow the construction of the necessary infrastructure at the I-35 and DJW exchange. She noted that everyone is excited about the possibility of expanded development in the area. Ms. Hanson provided the following information regarding distributions for 2011 contained in a letter written by Kim Koenigs, Executive Director of WCDA: 111 Worth County seniors received scholarships in the amount of \$5,536.81; 1,127 students received a gift card for free school supplies; 71 preschool students attended for free; hundreds of teachers received money to use in their classrooms; student fees were reduced and technology and curriculums were improved. In total, the five school districts in Worth County received \$2,258,559.47; the Northwood-Kensett district alone received \$685,389.85.

With regard to grants, WCDA awarded 73 grants in the amount of \$1,532,727.39 to charitable organizations in the counties of Worth, Cerro Gordo, Mitchell, Winnebago, Wright, Hancock and others. Additionally, \$47,500.00 was given to food banks in eight counties. Ms. Hanson noted that the above figures do not include the \$272,679.08 that was given directly to Worth County from WCDA funds. In 5.5 years, WCDA has given

out more than \$22 million, which has had a profound effect on the county and the educational system. She advised that WCDA and DJW have a very good relationship.

Chair Urban stated that what the non-profit organizations are able to do for the various communities is overwhelming. She noted there is not another state in the country that has the same arrangement with the non-profits where the communities are able to benefit from the casinos as they do in Iowa.

Mr. Ketterer noted that business at DJW has gone through the roof, with some of that attributable to the good winter weather. He stated that he was curious about the patronage from Minnesota as it was initially expected the facility would only benefit from the I-90 corridor; however, it appears they are getting more and more penetration into the Twin Cities area even though there are tribal casinos in the area. Mr. Pang stated that approximately 65% of the patrons come from Minnesota. He stated that when the weather is good and the highways are clear, the residents of Minnesota choose to come to Iowa due to the variety of gaming options.

Commissioner Rivera stated that she passed through the area on a day when the weather was horrible and the parking lot was packed. Mr. Pang stated that the location on the highway is really great for DJW.

Hearing no further comments or questions, Chair Urban requested a motion. Commissioner Rivera moved to approve the license renewal application and the contracts contained therein of WCDA/Diamond Jo Worth, LLC d/b/a DJW. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-29)

Chair Urban called on DRA/Diamond Jo, LLC d/b/a Diamond Jo (DJ). Todd Moyer, General Manager, and Roger Hoeger, representing DRA, were present to answer any questions. Mr. Moyer advised that DJ and DRA have a great working relationship and that just over \$3 million was distributed to non-profits in the area in 2011. He stated that the two entities have embarked on an ambitious co-marketing campaign called "Play Dubuque" in the Madison, WI and Rockport, IL areas with the intent of drawing new customers into Iowa and promoting Dubuque as a destination. Mr. Moyer stated that the campaign has grown this year to include additional businesses and services such as hotels and retail shops.

Mr. Moyer stated that one of their core values is giving back to the community. In addition to the \$3 million distributed to non-profit organizations, DJ team members volunteered in excess of 5,000 hours at local non-profit organizations. He stated their economic impact in 2011 was just over \$47 million, with 92% of that amount spent with Iowa businesses. If gaming equipment and specialized purchases are removed, the percentage goes up to 98%.

Mr. Hoeger advised that DRA has been in existence since 1985, and the Commission just approved their 28th year of racing. He noted that DRA serves as the qualified sponsoring

organization for DJ and is the license holder for the Mystique Casino operations. Mr. Hoeger stated that in 2011 approximately \$8.8 million was given to the City of Dubuque in the form of rent. They also receive an additional distribution along with the area non-profits. Mr. Hoeger advised that this would not be possible without the efforts of the DJ, and echoed Mr. Moyer's comments regarding the relationship between the DJ and DRA. He requested approval of the license renewal application.

Hearing no comments or questions regarding the application, Chair Urban requested a motion. Commissioner Heinrich moved to approve the license renewal application of DRA/Diamond Jo, LLC d/b/a DJ as submitted. Commissioner Lamberti seconded the motion, which carried unanimously. (See Order No. 12-30)

Chair Urban called Missouri River Historical Development, Inc./Belle of Sioux City, L.P. d/b/a Argosy Casino Sioux City (MRHD/Argosy). She requested that any individuals wishing to address the Commission approach the podium at this time. Lance George, General Manager, introduced Mark Monson, President of MRHD, and Steve Snyder and Tom Burke, Senior Vice President of Corporate Development and Senior Vice President of Regional Operations respectively for Penn National (Penn), who were present to answer any questions regarding the license renewal. Mr. George requested a one-year license. He stated that the property does have two important contracts expiring: the operating agreement with MHRD and the other is their lease with the city. Mr. George stated that Penn/Argosy understand that the granting of a one-year license would be conditioned upon the extension of both agreements. He stated that all parties involved have been identifying sites on which a land-based facility could be built. Mr. George stated that it is their intention to provide additional information along these lines at the April Commission meeting, as well as provide structural details to the Commission prior to the meeting.

Mr. Monson advised the Commission that as of January MRHD had distributed \$20 million to the various non-profits in the area. He requested that the license be renewed.

Commissioner Lamberti asked Mr. George if Penn/Argosy was going to have contract agreements before the Commission in April. Mr. Snyder confirmed that Penn has been in construction discussions with MRHD and recently those discussions have expanded to include the City of Sioux City. He advised that it was difficult to anticipate what the progress would be, but the goal is to report back to the Commission at the April meeting with the status of the negotiations. They also hope to have some definitive agreement in place by the June meeting due to the expiration of the agreement with MRHD in July and the termination of the current lease with the City in January.

Mr. Monson, referring back to Mr. Ketterer's comments at the beginning of the meeting, stated that the parties were going through a third-party counseling session. Commissioner Seyfer stated that it had better be successful.

Commissioner Lamberti stated that everyone on the Commission feels that way; everyone is aware of the time frames. He encouraged the parties to reach an agreement; that the alternative is not good for anyone.

Mr. Ketterer noted that the county has successfully passed the referendum several times. He stated that Argosy, Penn and MRHD entered into previous operating agreements; and MRHD has been able to accomplish great things for the community, the greater Sioux City area and the county. Mr. Ketterer expressed his belief that Argosy and Penn have been good corporate citizens, and have had a good relationship with MRHD and the city until recently when some things were taken for granted, which has caused the relationship to become strained. He stated that if the parties are putting the community, the employees and the citizens first, then there should be no reason they can't come to an agreement on a new operating agreement and new facility. Mr. Ketterer stated that the Commission reacts to what is brought before it. If there is no agreement between the qualified sponsoring organization and the operator, and the citizens have made it clear that they want gambling in the city/county, the Commission would be obligated to look elsewhere. Mr. Ketterer stated his belief that that would be a travesty due to all of the work that MRHD and Penn/Argosy have done. He encouraged the parties to keep the foot on the gas and reach an agreement.

Chair Urban called for any further comments or questions. She stated that she did not see any way for the Commission to grant a license without a condition due to the fact that the current operating agreement expires in July, necessitating the approval of a new agreement at the June Commission meeting. She requested a motion with regard to the license renewal for MRHD/Argosy. Commissioner Seyfer asked Mr. Ketterer to explain how a conditional license would work when there is a July deadline that has to be met.

Mr. Ketterer stated that the parties currently have a valid Operating Agreement, but would need to have a new agreement approved by the June 7th Commission meeting. He noted that most Operating Agreements contain a provision that calls for the Commission's approval, and assumed the one between MRHD and Penn/Argosy would be the same. He stated that if the agreement calls for the Commission's approval, the parties would need to submit it for the Commission's approval at the June 7th meeting, necessitating that an agreement be reached by the end of May.

Mr. Monson advised that MHRD disagreed with the July expiration date for the current operating agreement. He stated that the MRHD Board believes the agreement expires on January 28, 2013, while Penn believes it is July 6th. Mr. Ketterer stated that the Commission also believes it is July 6th; that the July date is what everyone has operated under until recently.

Commissioner Seyfer asked what happens if the parties do not come to an agreement by June if the Commission grants a conditional license. Mr. Ketterer stated that the license would expire on July 6th. Commissioner Seyfer asked what that meant. Mr. Ketterer

stated that the casino would be required to cease operations. Commissioner Seyfer stated that was he thought would occur.

Commissioner Lamberti asked if the Commission needed to make the license conditional relative to a specific date for either a new agreement or an extension. He stated that he does not want this issue to show up in court; he wants to see it resolved. He suggested that the motion include a condition for an extension of the existing operating agreement or a new agreement by the July 6th date.

Mr. Ketterer indicated that was fine, and asked Jeff Peterzalek, Assistant Attorney General, if he had any comments. Mr. Peterzalek indicated that the suggested action seemed appropriate.

Mr. Snyder reminded the Commission that there are two issues: the agreement with the qualified sponsoring organization that expires in July and the lease with the city that expires in January. He stated that all parties are duly motivated to meet the deadlines that are in front of them, but reiterated that there are two deadlines that occur within the licensing period being discussed. He asked that the Commission be cognizant of both deadlines in crafting the motion.

Chair Urban voiced her hope that the lease issue would be resolved long before January. Commissioner Seyfer stated that if the parties are able to resolve the first issue the second one would also be resolved.

Mr. Snyder stated that is Penn's hope as well. He stated that building a new land-based facility, starting with choosing the location, presents many hurdles that must be overcome in the time frame that is being discussed. He reiterated his earlier comment that all parties – Penn, MHRD and the city – are motivated to move as expeditiously as possible. He noted there are third party properties and private interests that need to be consulted and engaged in negotiations before final agreements can be reached.

Chair Urban stated that if the Commission gave MRHD/Argosy a conditional license that expired on June 7th and the parties came before the Commission with at least an extension of the Operating Agreement, then she felt everyone might be in agreement as long as it was a reasonable extension. Commissioner Rivera asked what Chair Urban considered a reasonable extension – 4 months; 6 months. Chair Urban stated four months or so. She stated that the Commission feels this situation has gone on long enough and that the parties need to sit down and resolve the issues.

Mr. Snyder stated the parties understand, and it is their goal to get the issues resolved, but there are many moving pieces and Penn is doing its best to get them resolved with the resources made available to them by MHRD and the City of Sioux City.

Commissioner Heinrich asked about the third-party principles that need to be included in the negotiations. He asked what percentage of the resolution to these issues would rely

on their coming together and affecting Penn's responsibilities. Mr. Snyder stated that Penn can get done what they need to get done, which is a commitment of capital, the design of the facility, negotiations with MRHD and the City of Sioux City. He advised that some of the site alternatives that have been discussed in the early negotiations are in third-party hands. Mr. Snyder stated that he can not anticipate what those negotiations might look like or the direction they might take. He indicated the most critical issue relates to where they will ultimately arrive at in terms of building a new land-based facility in Woodbury County.

Commissioner Heinrich asked if Mr. Snyder was saying it was possible to resolve these issues in three or four months or that it could take longer because the third party won't cooperate. Mr. Snyder stated that he could not definitively state that everything would be resolved in that time frame, nor would he expect the Commission to believe him if he did so. He indicated it is a possibility Penn might be back before the Commission on an interim status because of the complexity of the issues to be resolved. Commissioner Heinrich stated that it was probably in everyone's best interests to make sure operations continued rather than shutting down and having to start all over again. Mr. Snyder stated that on behalf of the team members and the non-profit organizations that have benefited from distributions by MHRD, it is critical that the revenue stream not cease.

Mr. Ketterer stated that the agreement with MHRD could be completed without all of the details of the land-based facility being tied down; that the agreement could anticipate that there is going to be a land-based facility. He stated his belief that the Commission wants to see a land-based facility, whether it is with these two parties or some other parties because that is what the community has indicated with the passage of the referendum. Mr. Ketterer stated that he did not think Penn should indicate that they can't come up with an operating agreement because not all issues are tied down; that the Commission understands that there are numerous details that need to be worked out with acquiring property and the selection of the site. He stated that the Commission is not trying to push the envelope on that; they want the parties to perform the necessary due diligence in a responsible manner. That said, Mr. Ketterer indicated the parties should work toward an operating agreement that anticipates the issues that have not been resolved and anticipates an addendum that may come later.

Mr. Snyder stated that he understood what the Commission is saying and indicated that he would like to get as much wrapped up as quickly as possible to avoid this conversation at any point in the future. Mr. Monson informed the Commission that MHRD offered Penn a one year extension in December, but were turned down.

Commissioner Seyfer moved to approve the license application of MRHD/Belle of Sioux City, L.P. d/b/a Argosy Casino Sioux City conditioned upon the parties negotiating and submitting a new operating agreement by June 7, 2012. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-31)

Following a short break, Chair Urban called on Scott County Regional Authority/Isle of Capri Bettendorf, L.C. d/b/a Isle of Capri Bettendorf (SCRA/IOC Bettendorf). Nancy Ballenger and Sally Rogers, General Manager and CFO respectively, were present to answer any questions.

Ms. Ballenger expressed regrets for the President of SCRA, who was unable to attend. She stated that the SCRA Board is great to work with and does a tremendous job. Ms. Ballenger advised that they awarded 134 grants totaling \$3.3 million. She noted that they focus on three areas: education, government, and other non-profit organizations. Grants are distributed twice a year.

Ms. Ballenger advised that IOC invested approximately \$3 million back into the property in the form of slot equipment, and new chairs for the hotel. They also re-carpeted and repainted the casino. She stated that the color pallet is a little more soothing than in the past. She advised that gaming revenue has increased. Additionally, with 40,000 square feet of meeting space between the hotel and convention center, they have hosted several national, international, state and regional conventions. She noted this is their fourth year, and the convention business is really gaining some traction. Ms. Ballenger advised that IOC Bettendorf was recognized by the Quad Cities Convention and Visitors Bureau with the Jim Graham Award, which is given to organizations that exemplify Mr. Graham's dedication in the community and support of tourism. She requested renewal of the license.

Mr. Ketterer asked Ms. Ballenger if there had been any discussion of moving to a land-based facility. Ms. Ballenger advised that there are new renderings, and discussions are taking place.

Hearing no further comments or questions, Chair Urban requested a motion. Commissioner Heinrich moved to approve the license renewal application of SCRA/Isle of Capri Bettendorf, L.C. d/b/a IOC Bettendorf as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-32)

Chair Urban called on Riverboat Development Authority/IOC Davenport, Inc. d/b/a Rhythm City Casino (RDA/RC). Mary Ellen Chamberlin, President of RDA, showed a powerpoint which highlighted the rejuvenation of downtown Davenport. She noted that one of the intents of the original riverboat legislation was to rebuild the river towns that had been hit hard by the loss of manufacturing jobs. She advised that most of downtown Davenport was boarded up. Ms. Chamberlin stated that the Downtown Partnership leverages private investment, and is also part of the Quad Cities Chamber of Commerce. It is involved with economic development, the clean safe team, various festivals, marketing, communications, and strategic planning. Ms. Chamberlin advised that RDA and RC provide some funds for marketing and staff for many of projects shown in the video. She referenced the Smith District Fund, which gives one-half of one percent annually in unrestricted funds to the Downtown Partnership to do marketing and development in the area around the casino, and other areas. Ms. Chamberlin provided

talking points throughout the powerpoint. She advised that 58 new businesses have opened in downtown Davenport from 2010 through 2012. At the conclusion of the presentation, Ms. Chamberlin requested renewal of the gambling license.

Mo Hyder, General Manager, stated that RC was proud of their relationship with RDA, and works with them to draw people downtown. He noted the facility has approximately 300 employees, who are also great community advocates. Mr. Hyder also requested renewal of the gaming license for the upcoming year.

Mike Fries, VP of Legal Affairs, advised that IOC has been working very hard with a number of potential buyers for the RC property. He noted that there are some structural issues that have arisen during the process. He stated that the process is not complete yet, but that it is getting closer every day. Mr. Fries stated that he hoped to come back soon with a definitive purchase agreement. He stated that he would continue to keep staff apprised of any progress.

Mr. Ketterer asked if IOC recently had a situation where they engaged in an RFP with Innovation Group to identify potential purchasers, and had a party they were working with who then backed out. Mr. Fries stated that no two deals are alike; parties come and parties go and the process drags on. He did indicate that one potential purchaser did recently decline to participate in the process.

Chair Urban asked if there are other potential purchasers for the property. Mr. Fries answered in the affirmative.

Commissioner Lamberti encouraged the parties to get something done; that the Commission is concerned about the loss of market share and revenue to the state. He stated that the Commission is aware of the challenges placed in IOC's path by the city, which are not really impacting the renewal of the license. Commissioner Lamberti stated that he would like to see something happen sooner rather than later, and does not want to be talking about this issue during license renewal next year.

Mr. Fries stated that IOC has heard the various comments made by the Commissioners and Mr. Ketterer today and take them very seriously.

Mr. Ketterer stated that IOC has been diligent in keeping the Commission apprised of what they were going to do and went through a process, some of which was affected by the agreement that the city made. He noted that there has been some market share shift due to a new facility in Illinois and the lack of capital investment in Scott County by IOC to the extent that the adjusted gross revenue has declined resulting in the state losing \$6-10 million annually. Mr. Ketterer advised that a decline of that magnitude not only gets the attention of the Commission, but also the Legislature and Governor's Office. It is incumbent on the Commission to rectify the situation, and that is what they are doing today. Mr. Ketterer reiterated that IOC has been forthright in keeping the Commission apprised of what is happening, but stated that the process needs to be completed.

Ms. Chamberlin stated that RDA is totally committed to continuing to work with IOC and the city toward a land-based facility somewhere in Davenport. She stated that is about all they can do until such time as a purchase agreement is entered into.

Hearing no further comments or questions, Chair Urban called for a motion. Commissioner Heinrich moved to approve the license renewal application of RDA/IOC Davenport, Inc., d/b/a RC as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-33)

Chair Urban called on Clarke County Development Corporation/HGI-Lakeside, Inc. d/b/a Terrible's Lakeside Casino Resort (CCDC/Lakeside). David Ross, CEO of Affinity Gaming (Affinity), noted that it was one year ago that he was before the Commission and committed \$10 million toward capital improvements at the facility. He noted that the hotel was designed and construction started in July 2011, and it will open in May. Mr. Ross stated that Affinity was able to leverage its relationship with Pilot, with whom they have agreements in Nevada, and used approximately 11 acres of the 88 available for development, and opened a Pilot Travel Center on site. The project cost approximately \$3 million and created 30 jobs. He stated that Affinity believes in the property and the future of Iowa and in late 2011 realized the importance of investing in the most important asset of the property – the employees. Mr. Ross noted that wages had been frozen throughout the bankruptcy process; however, wages for employees were increased in February. He noted that the issues with the Water Board have been resolved but conceded that there is still work to be done. He indicated that significant progress has been made on other issues.

Amy Lampe, President of CCDC, noted that they had heard the comments about a \$51 million impact on the community and stated that the CCDC's share was approximately \$600,000. She stated that CCDC is proud of the work they are able to do in Clarke County, but don't feel that it can be called "overwhelming". Ms. Lampe asked the Commission to require HGI to renegotiate their contract with CCDC so that it at least meets the minimum, 3% of adjusted gross revenues.

Helen Kimes, past President of CCDC, stated that she was involved with CCDC prior to 1997 when Bill Grace and Southern Iowa Gaming came to Osceola. She advised that the gaming license was pursued to promote economic development in southern Iowa. Ms. Kimes stated that she was on the Executive Committee when Herbst Gaming purchased Southern Iowa Gaming; the license was assigned and renegotiated with CCDC's permission. She noted that she was President of CCDC in 2007 when Herbst filed for bankruptcy in Las Vegas. She pointed out that during and since that time CCDC has been in continuing discussions with Affinity in an effort to resolve the issue of the Operating Agreement. In her opinion, CCDC should not have to accept a contract that calls for 1.5% of adjusted gaming revenue when the other facilities collect significantly more. She indicated that the current operating agreement further represses economic development in the area.

Wil Reisinger, CCDC Board member, stated that the idea of a casino coming to Clarke County was sold to the community for the jobs it would create, the boost to the local economy, and entertainment. He stated that it was difficult to sell the citizens on the idea of a casino; however, the community needed the economic development, which is what sold the idea to the church community and the county. Mr. Reisinger stated that when the casino was first proposed, it was proposing 720 jobs; the facility currently has 290 employees. He noted that with assistance from the Commission, CCDC was able to get Affinity to make improvements to the property; something CCDC has been attempting to get done for almost ten years. Those improvements included expanding the hotel and remodeling the existing hotel rooms. Mr. Reisinger noted that a 5% improvement in revenue numbers, what PMR&C is expecting from the addition of their hotel, would only provide CCDC with an additional \$3,000 per month or \$36,000 in a year. He indicated that he is happy with the new hotel and truck stop, but they don't provide funds to help with economic development in the area. He pointed out that Clarke County is not a prosperous urban county, and CCDC needs everything it can get to help improve the local economy. Mr. Reisinger stated that Osceola was one of the earlier properties and at the time CCDC negotiated their operating agreement, the agreed upon percentage worked for what they wanted to do. He noted that there was a transition in the property at which time the operating agreement should have been renegotiated, and it didn't occur. That is the issue that CCDC has with Affinity. Mr. Reisinger stated that CCDC and Affinity are not on good terms and believe that they should receive a conditional license based on the fact that they should sit down with CCDC and renegotiate the terms of the operating agreement so that CCDC receives at least the statutory minimum of 3%, if not better. He pointed out that all of the money goes back to the city, county and state.

Chair Urban advised Mr. Reisinger that he lost her during his comments about an additional \$36,000. Mr. Reisinger noted that PMR&C indicated they expected a 5% increase in gaming revenues due to the hotel. Chair Urban pointed out that is just what is forecast. Mr. Reisinger stated that his point was that the additional \$36,000 was insignificant in terms of what CCDC could get if Affinity was forced to renegotiate the operating agreement. He reiterated that everything goes back into the community. He stated that CCDC is looking to the Commission to enforce the law.

Doug Gross, legal counsel for CCDC, stated that they have three issues:

- HGI-Lakeside is a new entity; they are not the previous entity. They are a new owner. Under Iowa law, they are considered a new entity. Mr. Gross stated that when they were before the Commission seeking a license, the Commission should have considered them a new licensee.
- Mr. Gross indicated that issue is important because if the Commission had considered them to be a new licensee, HGI would have been required to renegotiate the operating agreement and pay the minimum of 3%. He requested that the Commission reverse their error in November 2010 when they considered Affinity to be an existing licensee.
- Mr. Gross requested that the Commission consider Affinity to be a new licensee and require them to pay CCDC at least the required minimum. He noted that

Chapter 99F.5 requires a 3% minimum for new licensees. He reiterated CCDC's opinion that Affinity is a new licensee and requested that the Commission enforce Chapter 99F.5.

Jerry Crawford, representing Affinity, noted that Ms. Lampe is new in her position and that some Commission members are newer than others, set forth the following facts relative to Affinity and payments made to CCDC:

- The 1.5% paid to CCDC has averaged out closer to \$750,000 than \$600,000 over the last 8 years;
- Affinity prepaid a full percentage point, \$3.2 million, at the time the Operating Agreement was entered into. CCDC doesn't want to count that payment because they had to share that amount with the City of Osceola and the Water Board. He stated that when Affinity starts paying an additional 1.5% of adjusted gross receipts on February 1, 2013, the parties can determine amongst themselves who should receive the money and Affinity will pay the funds to whomever they are directed to by the parties.

Mr. Crawford stated that CCDC's interpretation that they have only been receiving 1.5% in the past and into the future is a misstatement of the facts, which is also over and above the fact that the Commission approved an agreement with the Water Board earlier today that increases the lease price from \$150,000 to \$245,000, and all the improvements previously outlined by Mr. Ross. Mr. Crawford requested that the license be renewed without conditions.

Mr. Gross acknowledged what Mr. Crawford stated in terms of the \$3.2 million; but pointed out that by granting the argument that the payment was in lieu of the initial 1.5%, the payment would have amounted to 1% through 2011. He indicated that if the payment is looked at from a present value basis, the payment is gone, and CCDC is still only receiving 1.5% on a going forward basis versus the legislatively mandated 3%.

Commissioner Heinrich asked if the Commission has the authority to make Affinity negotiate a new operating agreement; that it is his understanding that the only way the Commission would have any authority is if Affinity is considered to be a new entity. He stated that he didn't want to give the impression that the money wasn't important, but pointed out that he also felt the relationship between the non-profit and the casino is important and that this particular issue has been festering between the parties since he came on the Commission almost a year ago. Commissioner Heinrich advised that he is aware of the previous history of the license. He encouraged the parties to get the matter resolved; that the continued argument doesn't do the community or the state any good.

Mr. Crawford stated that there are not any financial differences between the parties; the only remaining issue is that CCDC wanted Affinity to agree that at some point in the future, that if there is a transaction, the new entity would be required to enter into a brand new negotiated agreement. Mr. Crawford stated that at this time no future transaction is contemplated. He stated that Affinity has taken the stance that "the law is what the law

is” and that the parties involved at that time can make their respective arguments regarding the operating agreement.

Mr. Gross stated that the parties are not in agreement on numbers; they can’t agree on whether they have been receiving \$600,000 or \$750,000 a year. He stated that CCDC wanted Affinity to agree that if there should be a transfer or sale of the property in the future that they would have the ability to renegotiate the operating agreement at that time. Mr. Gross agreed with Mr. Crawford’s comments on this particular issue. He stated that Affinity hid behind the Bankruptcy Court this time in order to avoid renegotiating the agreement. Mr. Gross stated that if the Commission had done its job, consistent with the Bankruptcy Court’s actions, they would have required that the agreement be renegotiated in 2010. He noted that there were no stays issued by the Bankruptcy Court and that the Commission could have taken whatever action they chose and could have required the new licensee to pay the legislatively mandated minimum of 3%. Mr. Gross stated that the parties have talked about this particular issue until they are blue in the face; he requested that the Commission do their job – consider Affinity to be a new licensee and require them to pay the 3% minimum.

Commissioner Heinrich stated that what he was hearing Mr. Gross say was that negotiations would not work. Mr. Gross stated that was accurate; that they have been numerous discussions between the parties, some of which have included Commission members. He stated that the bottom line is that CCDC is paid less than half of the other non-profits in the state; and they are located in one of the poorest areas of the state. Mr. Gross stated that the money goes out of state, and reiterated his statements that Affinity has used the Bankruptcy Court as a shield; however, the Bankruptcy Court can’t shield them from the Commission. Mr. Gross again requested that the Commission protect the citizens.

Commissioner Heinrich asked if money is the only issue. Mr. Gross answered in the affirmative.

Chair Urban pointed out that CCDC did go before the Bankruptcy Judge and asked that the operating agreement be renegotiated. Mr. Gross stated that CCDC did ask the Bankruptcy Court to give them the ability to renegotiate the contract; however, the Bankruptcy Court allowed the assignment of the operating agreement subject to the regulatory authority of the IRGC. He reiterated his earlier statement that under Iowa law when there is new management and new owners, the company is not considered to be the same entity. Mr. Gross stated that Herbst actually bought the property back from this group. He questioned why Herbst would be paying money to buy back some of their assets if they are the same entity. He again stated that Affinity should have been considered a new entity; therefore, they would have been a new licensee. Mr. Gross stated that Affinity did not want to be considered a new licensee because they didn’t want to pay the required 3%.

Chair Urban stated that the Commission has stated on more than one occasion that when they read what the Bankruptcy Court said, the ruling never indicated that it was a change of entity and that was the issue the Commission dealt with. Mr. Gross stated that the Commission needs to look at Iowa law with regard to the successor question.

Chair Urban called for any further comments or questions. Commissioner Lamberti, noting that he was not on the Commission when that decision was made, stated that it was possible a different Commission would have made a different decision but stated that he did not think the current Commission was going to revisit the issue for a number of reasons. He indicated the decision may be subject to litigation, but at some point the Commission has to say that is the decision and the parties need to move on. Commissioner Lamberti stated that at some point he would like to see the distribution reach the mandated minimum, but is extremely frustrated with the amount of energy spent on the other issues. He noted that he is cognizant that the money is important, and is pleased about the capital investments made at the property, but suggested that new people be brought into the negotiations in an effort to try and reach an agreement. Commissioner Lamberti stated that is where the issue is ultimately going to be resolved unless it is resolved in a courtroom. He expressed his hope that it would not come to that; that the Commission has consistently encouraged the parties to resolve the issue amongst themselves.

Ms. Kimes advised the Commission that unless the property changes hands again, the current Operating Agreement will continue at 1.5% for 45 years. She believes that it is absurd that the Commission would allow something like that to continue. She indicated there was an article in the *Las Vegas Time Herald* which stated that David Ross said, "We are new people, new owners." She questioned how the Commission could not issue a new license; that it didn't make sense to her. She reiterated her earlier comment that it was ridiculous for CCDC to continue to receive 1.5% for the next 45 years or until the property is sold.

Chair Urban called for a motion. Commissioner Heinrich stated that it is his opinion that the parties can resolve this issue if they so choose without the Commission. He expressed his hope that they would do so for the good of their own community and the state. He stated that he did not have enough knowledge about the amount of money involved to state that it wouldn't destroy anyone. He again requested that the parties work to resolve the issue.

Commissioner Lamberti moved to approve the license renewal application of CCDC/HGI-Lakeside, Inc. d/b/a Terrible's Lakeside Casino Resort as submitted. Commissioner Seyfer seconded the motion, which carried unanimously. (See Order No. 12-34)

Chair Urban called on Clinton County Community Development Association/Wild Rose Clinton, L.L.C. d/b/a Wild Rose Clinton (CCCD/A/WRC). Tim Bollmann, General Manager, stated that they have a very good relationship with their non-profit partner. He

noted that the property had a record year in 2011, which translates to a record year for the non-profit. He indicated it was a great year for community reinvestment. He requested approval of the license renewal application.

Hearing no comments or questions concerning the application, Chair Urban requested a motion. Commissioner Seyfer moved to approve the license renewal application of CCCDA/Wild Rose Clinton, L.L.C. d/b/a WRC as submitted. . Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-35)

Chair Urban called on Palo Alto County Gaming Development Corporation/Wild Rose Emmetsburg, L.L.C. d/b/a Wild Rose Emmetsburg (PACGDC/WR Emmetsburg). Amy Rubel, General Manager, stated that a representative of the non-profit was not in attendance as they were still celebrating the distribution of approximately \$2 million in grants the previous Saturday. She indicated that both entities are proud of what they have been able to accomplish in the community and requested approval of the license renewal application.

Hearing no comments or questions concerning the application, Chair Urban requested a motion. Commissioner Rivera moved to approve the license renewal application of PACGDC/Wild Rose Emmetsburg, L.L.C. d/b/a WR Emmetsburg as submitted. Commissioner Heinrich seconded the motion, which carried unanimously. (See Order No. 12-36)

Chair Urban called on Southeast Iowa Regional Riverboat Commission/Catfish Bend Casinos II, L.C. d/b/a Catfish Bend Casino II (SIRRC/CBC). Gary Hoyer, CEO of Great River Entertainment, the parent company of CBC, stated that CBC also has a good relationship with their non-profit. He advised that SIRRC has had a positive impact in southeast Iowa with their three community and two county combination. Mr. Hoyer stated that each community utilizes their funds in a different manner: Burlington – economic development and community enhancement projects; Keokuk – aid to the police and fire departments and convention and tourism; and Fort Madison – community grants. Recently the city has been championing a new youth complex. Mr. Hoyer requested approval of the license renewal application.

Hearing no comments or questions concerning the application, Chair Urban requested a motion. Commissioner Seyfer moved to approve the license renewal application of SIRRC/Catfish Bend Casinos II, L.C. d/b/a CBC as submitted. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-37)

Chair Urban called on Upper Mississippi Gaming Corp./Isle of Capri, Marquette, Inc. d/b/a Lady Luck Casino Marquette (UMGC/LLCM). Bill Gustafson, General Manager, and Sindee Gohde, Executive Director of UMGC, were present to answer any questions. Mr. Gustafson noted that although the facility is small, they have the friendliest team members. The focus of the property is on value, fun and food; purchases of food and produce from area producers have increased by 128%, which translates into \$15,000 to

local farmers and businesses. He advised that UMGC was able to make grant distributions in the amount of \$172,000, and LLCM distributed another \$32,000. He pointed out that over the last year, the 230 team members donated or volunteered over 2,300 hours to various charities, the schools, fire department, etc. Mr. Gustafson requested approval of the license renewal application.

Ms. Gohde advised the Commission that UMGC only receives 50 cents for every individual that enters the boat. She encouraged everyone to come up and experience the comfort of a small town. She stated that if she is on property without her badge, she is treated as a customer; if she has her license badge on, patrons and staff act as if she is there to speak with them. Ms. Gohde stated that she loves seeing the funds put to work in the community and county. She advised that Clayton County is one of the smallest and poorest counties in the state. UMGC has distributed \$4.5 million in grants since the license was originally granted. Ms. Gohde also requested approval of the license renewal application.

Hearing no comments or questions regarding the application, Chair Urban requested a motion. Commissioner Seyfer moved to approve the license renewal application of UMGC/Isle of Capri, Marquette, Inc. d/b/a LLCM as submitted, including the contract contained therein. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-38)

Chair Urban moved to the hearings before the Commission, and called on Argosy Casino Sioux City for a violation of Iowa Code §99F.9(5)(Minor). She noted that Commission staff and the facility had entered into a Stipulated Agreement. Mr. George advised the Commission that the last violation occurred in 2006; and that training was administered immediately after the incident. He noted that employees are required to test out of the training.

Hearing no comments or questions concerning the Stipulated Agreement, Chair Urban requested a motion. Commissioner Lamberti moved to approve the Stipulated Agreement as presented. Commissioner Rivera seconded the motion, which carried unanimously. (See Order No. 12-39)

Mr. Ketterer advised that Stipulated Agreements had been reached with IOC Waterloo for their violations; however, the parties are still working on some of the language and other details. He indicated that the final details could be worked out in the next week or so and the hearings deferred until the April Commission meeting.

Chair Urban moved to Public Comment and called on Francis Biagoli. Mr. Biagoli thanked the Commission for addressing the issue of problem gambling. He pointed out that it has been very important to have Mr. Ketterer on board for the last several years. He stated that in the mid-1990's problem gambling wasn't on anyone's radar, and Mr. Ketterer and other Commission staff were instrumental in bringing the issue to the forefront and addressing it at Commission meetings on an annual basis.

Chair Urban moved to Administrative Business and the notice of the Horse Promotion Fund. Mr. Ketterer stated that the Notice regarding the availability of the funds was posted on the Commission's website. Applications for the funds in the amount of \$3,124.74 are due in the Commission's Des Moines office by 4:30 PM on April 6, 2012. He indicated that a recommendation for the distribution of the funds will be made at the April meeting.

Chair Urban again thanked Mr. Ketterer for his service and wished him well in his retirement.

Chair Urban called for a motion to adjourn. Commissioner Seyfer so moved. Commissioner Rivera seconded the motion, which carried unanimously.

MINUTES TAKEN BY:

JULIE D. HERRICK

(Attachments start on the next page)

FAREWELL TO JACK KETTERER ON HIS RETIREMENT - March 8, 2012

In the beginning it was the Governor and the Legislator and in December of 1983 you, Jack Ketterer, came to Iowa to be the first administrator of the Iowa Racing and Gaming Commission. And except for a brief stint away, you oversaw the development of gambling in Iowa - assisting the legislature write the code and devising the rules by which the games would be played. But you didn't stop there. You looked after the expansion of that gambling industry in Iowa as it developed from a horse track and dog tracks to riverboats and moored barges and when you thought the job was done, you had a vision that all of these casinos should be land-based and have slot machines and table games and become community centers scattered throughout the state and that each facility besides its gaming should have a hotel and bowling alleys and spas and restaurants and shops and lots of entertainment. And with each step forward and with a watchful eye, you oversaw the gambling industry in Iowa as it grew and expanded to a billion dollar industry.

And when these institutions numbered 18, you said, my job is done and I will rest. You mentored a successor in your image - we will see -
And then, you , Jack Ketterer, looked back on all that you had done and said, " I will retire!"

Today, Jack, we celebrate your many accomplishments! You became the heart and soul of Racing and Gaming in Iowa!!

As Administrator of the commission you have been the epitome of **professionalism**.

You are **fair and neutral** letting the commissioners study the issues and facts and arrive at their own conclusions.

You are **patient**, often repeating an issue or an explanation several times before we all "got it".

You have been a teacher and especially for those of us who weren't lawyers - you taught us that amongst other things, the law needed to be applied fairly.

Your political **philosophy** has served you well and enabled the Commission to make decisions that are relevant and in the best interest of all Iowans. Where an administrator might be politically charged, you are non-partisan. Whether the players are Doug Gross or Jerry Crawford, Jack, you were always neutral.

You are a terrific boss to your staff caring about their welfare and being **supportive and compassionate** when needed.

Your **unflappable** style is always a calming force - even when the troops are up in arms over something the commission will or will not do, you stand your ground.
The integrity which you have displayed has served this state well -

Your peers gave you national recognition last year as 2010's Gaming Regulator of the Year - Americas, an award normally reserved for individuals in larger jurisdictions. Your recognition nationally is one that was well deserved. You have set a high standard for the industry.

When you won the award they stated and I quote... "The Iowa Racing and Gaming Commission embodies Ketterer's philosophy, his values and his beliefs. He has always worked beyond the status quo in areas of regulation and legislation, and at all times keeping the bigger picture in view. His concerns for each community, the citizens of Iowa in general and even beyond the industries of racing and gaming, have been apparent. From creating jobs to ensuring the welfare of animals, Jack Ketterer is certainly worthy of this prestigious award."(end of quote)

May you enjoy many years of good health and happiness with your family and friends-

May you leave this position knowing that your contribution to Iowa was a worthy one.

Report to the Iowa Racing and Gaming Commission

March 8, 2012

National Problem Gambling Awareness Week is March 4th through 10th. This week offers an opportunity to raise the awareness of the potential consequences of gambling and honor the successes achieved in reducing and mitigating the harm associated with disordered gambling.

I'd like to take a few minutes to talk about the nature of problem gambling in Iowa as well as the fantastic network of supports available.

For those of you who may not be aware of the work of the Office of Problem Gambling Treatment and Prevention, we work with agencies state-wide to provide:

- **Counseling** for problem gamblers and those affected by the gambling behavior of a family member
- **Primary Prevention and Education** services to inform Iowans of the risks and responsibilities of gambling
- **Secondary Prevention** services for groups at increased risk of problem gambling
- **Helpline referral and education** services through 1-800-BETS OFF and

www.1800betsoff.org

- **Training and Professional development** for counselors providing problem gambling treatment and common co-occurring disorders.

- **And new this year - Recovery Support Services** . A designated pool of funding managed by each of our providers used for a menu of practical supports for persons receiving problem gambling counseling and on the road to recovery.

I'd like to acknowledge that the agencies that provide these services are at the front line. Their staff are talented, well qualified, committed and passionate about the work they do. This is really hard work.

In September 2011 IDPH released a report about the gambling attitudes and behaviors of adult Iowans. The original intent of this project was to provide an update to the last prevalence survey on problem gambling behavior in Iowa that was done in 1995. Needless to say much has changed since that time and it was well past due. I think the findings have provided us with a much better picture of the nature and impact of problem gambling than we've ever had before. Bottom line is there is good news and not such good news.

Good news first:

- Of the respondents who said they gamble at least occasionally, 80% said the main reason they gamble is for Entertainment of fun and about half said Excitement or Challenge was an important or very important reason for why they gamble.
- Approximately two-thirds of adult Iowans say they are extremely or moderately confident they would recognize the signs that a friend or family member has a gambling problem and 80% said if they have a gambling problem it would be Very Easy or Fairly Easy to talk about it with someone in their support system.
- Ninety percent of adult Iowans said they are aware of the gambling helpline 1800-betsoff.
- Despite a wide range and steady increase of gambling opportunities in Iowa, the prevalence of problem or pathological gambling remains low and in line with recent findings of other state and national studies.
 - o Seven-tenths of a percent of adult Iowans can be classified as pathological gamblers during the last 12 months.
 - o 2.0% have been or will be classified as a pathological gambler in their lifetime.

And now the not such good news:

- Even at roughly one-percent this still translates to 16,500 of our mothers, fathers, sisters, brothers and neighbors that need help right now. They are suffering enormous social, economic, and psychological implications. They are enduring lost relationships,

stifling debt, bankruptcy, substance abuse and extreme guilt and shame.

- 13% or roughly 300,000 Iowans have experienced at least one symptom of pathological or problem gambling in the past 12 months. This includes:
 - o 5% or roughly 83,000 who have bet more than they could afford
 - o Approximately 66,500 said they have gambled for the purpose of winning back money lost.
- The adverse consequences of problem gambling is not limited to the problem gambler. We found that more than 1 in 5 (22%) of adult Iowans said they have been negatively affected by the gambling behavior of a family member, friend, or someone else they know.
- Not all persons who gamble are gambling for entertainment.
 - o Of those who gamble, a significant number are doing so with a goal to win money to use for paying bills including 17% of women and 8% of men.
 - o 11% gamble as a distraction from everyday problems and
 - o 35% said it was important to win money when they gamble.

We are *very* fortunate to live in a state whose citizens understand the need to address these issues. Further findings from the report revealed that:

- 85 % of Iowans support the use of public funds for problem gambling treatment.
- 76% support funding to provide information to adults about responsible gambling
- 90% support funding to educate young people about the risks of gambling.

This understanding and commitment extends as well to Governor Brandstad , the Iowa Legislature, the Iowa Racing and Gaming Commission, Iowa Gaming Association, and Iowa Lottery. Each in their own way has shown consistent and proactive efforts to promote responsible gambling and address problem gambling behavior.

During the past week the numerous events collaboratively hosted by casinos and their area providers signify a shared duty to inform Iowans of the risks and responsibilities of gambling. Additionally, the Iowa Lottery reached out to all of Iowa's television stations and asked them to run a 30 second public service announcement featuring Iowa Lottery CEO Terry Rich discussing National Problem Gambling Awareness Week. All the major networks and cable outlets in all of Iowa's television markets agreed to run the announcement for free resulting in nearly \$59,000 worth of advertising run at no cost.